Montgomery County Council

From the Office of Councilmember Nancy Floreen

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NEWS RELEASE

Councilmember Floreen Proposes Plan for Affordable Housing – The Next Generation

"Montgomery County is in an affordable housing crisis. The median price for a new single-family detached home is over half a million dollars. When existing homes are included with all townhouses, the median price is still well over $300,000. These prices are beyond the reach of the average Montgomery worker who earns $46,000 a year. No wonder so many people must commute to their jobs in the County from Frederick, West Virginia and Pennsylvania -- making our traffic nightmare worse and creating havoc in the lives of the commuters.

"The sad truth is that too many of our teachers, firefighters, police and service industry workers can't afford to live in Montgomery County. That's why we must improve our moderately priced housing program – and do it now.

"Together with my colleagues Mike Knapp, Steve Silverman, Mike Subin, the League of Women Voters, and Gino Renne from the County Government Employees' Union, I'm proposing a package of adjustments to strengthen our 30-year-old Moderately Priced Dwelling Unit (MPDU) program. The proposal will invest more money in rehabilitating existing affordable homes, while also creating incentives for the private sector to produce many new units. It includes measures to:

- Eliminate most of the notorious "buyouts," whereby developers contribute cash instead of providing the needed units;
- Preserve the stock of MPDUs for future use by requiring units to remain under price controls for 30 years;
- Introduce greater flexibility in existing development standards that currently limit workforce housing production;

- Increase eligibility limits to include more workforce families;
- Make MPDUs possible at alternative locations as an optional replacement for some commercial development “amenity space;”
- Offer a special bonus for MPDUs built close to transit;
- Elevate housing advocacy as a priority in administrative decision making;
- Recommend funding for a County Closing Cost Assistance Initiative in the wake of the end of the federal Fannie Mae program.

“This pragmatic approach will elevate the importance of workforce housing in development decisions. Our hard-working families deserve no less.”

Council President Steve Silverman said, “None of us wants to live in a county that has no room at the inn for the teachers who help our children learn, the police and firefighters who protect us and our families, or the nurses who bring new lives into the world each and every day.”

“Thirty years ago, Montgomery County set the standard for innovative housing policies. It is time for us to once again take a leadership role, and these initiatives are a great step forward,” stated Councilmember Mike Knapp.

Nancy Soreng, President of the Montgomery County Chapter of the League of Women Voters added, "The League recognizes that the MPDU law, which we have supported from its inception, is in need of modification to meet changing needs and conditions in Montgomery County. We commend Nancy Floreen for taking the initiative to introduce legislation that addresses some of the current impediments to creating and maintaining affordable housing in our community. We look forward to participating in the dialogue that will follow as this initiative moves through the legislative process."

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MPDUs - The Next Generation

Today I am proposing a package of adjustments to the Moderately Priced Dwelling Unit program in order to strengthen the lifeline of affordable housing. We are facing a growing crisis in moderately-priced housing. Our young people, teachers, firefighters and police officers can no longer afford to live in Montgomery County. Individuals earning the County average income of $46,000 confront median prices of $315,000 for all single family homes (detached and townhouses, new and existing). Median prices range from a high of $563,000 for a new detached home to $223,000 for an existing townhouse. These prices are beyond the reach of many. As a result, they see no option but to leave the County in search of more reasonably-priced housing choices, only adding to a long, stressful commute and our growing traffic nightmare.

This interrelated set of pragmatic and achievable measures will address some of the major problems with the production and retention of affordable housing that stakeholders have identified. It balances our rigorous land use control system with additional flexibility necessary to foster the production of less expensive housing. Our objective ought to be to build a structure that will work, not simply one that sounds good.

The time for study is over. It is now time to act.

Legislation:

1. Control Period – In order to preserve the stock of MPDUs for future use, extend the control period for rental and sale MPDUs to 30 years, a nationally recognized period for housing maintenance before major rehabilitation is required. An income qualified homeowner must maintain a personal financial stake in building equity in the home; otherwise, the units will not be maintained and will not sustain their value over time.

2. Buyouts – Ensure that production of MPDUs is possible by allowing greater flexibility in zoning standards (see ZTA section). Therefore, prohibit buyouts except in the case of certain senior housing or if condominium/homeowners' association fees are determined, by recognized standards, to be too costly as a percentage of income.
    a. Clarify the proper measure of the buyout policy.
        i. Buyout prices will be calculated under a new method. Even if the County can leverage buyout payments with other funds, such as those provided by other government (federal and/or state) programs, the

developer's buyout price will not be reduced by factoring such other sources into the buyout calculations.

ii. The buyout price should not be the full cost of providing the unit, however, because the units are not given away. The income-qualified person provides funds when purchasing the unit. Therefore, the buyout price should not include the unit's purchase price, as set by County regulation.

b. The new buyout pricing policy will be based upon the cost to provide the unit minus the County-established price of the unit with the caveat that to participate in a buyout arrangement, the developer must pay for 25% more units than the number otherwise required.

c. Clarify that buyout dollars are in addition to, not in place of, County contributions to the Housing Initiative Fund. This will ensure that buyouts yield a net gain to funding available for affordable housing.

3. Alternative Sites – When provision of MPDUs on alternative sites is deemed appropriate by the Department of Housing and Community Development because of high fees or by the Planning Board because site restrictions do not permit the development to include the density bonus and the full MPDU complement, require that developers build or otherwise provide the substitute housing within the same or adjacent planning areas.

a. Give builders the option to purchase, rehabilitate, convert from commercial, or otherwise provide and return to the MPDU stock existing, deteriorating housing units or for-sale MPDUs no longer in the control period, or to add ones never before subject to the program, to meet requirements for the alternative agreements. This would simultaneously add to the affordable housing stock and help to preserve neighborhoods.

4. Bedroom Count – The MPDU bedroom count should reflect substantially the same mix as provided in the market rate units in the project.

5. Income Eligibility – The current program sets different income-eligibility limits for garden and high-rise apartments. Expand this by having a differentiation of maximum income-eligibility limits for rental units and sale units. Raise the income eligibility level up to 80% of annual median income in Transit Station and large lot zones for rental and sale units.

6. First Refusal – Require that MPDU deeds and purchase contracts include conspicuous notice language precluding the owner from selling

an MPDU without 1)providing proof that due notice was given to the County of its right to exercise its right of first refusal and 2)the County's written decision not to exercise its right.

Zoning Text Amendments

1. To ensure production of MPDUs, require increased flexibility in site requirements as necessary to support densities created by the addition of MPDUs, the legislatively authorized bonus market-rate units, and the absence of buyout options. The Planning Board should permit variations with respect to unit types, height limits, amenities, open space, setbacks, forest conservation, on-site afforestation, private roadways, imperviousness, and lot size requirements. As in Kentlands, zero lot-line projects should be permitted in appropriate locations.
    a. As noted in Sec. 25A-2 of the County Code, ensure that private developers constructing moderately priced dwelling units under this chapter incur no loss or penalty as a result thereof, and have reasonable prospects of realizing a profit on such units by virtue of the MPDU density bonus provision of Chapter 59 and, in certain zones, the optional development standards.

2. To encourage more rental units close to transit, allow a density bonus of up to 30% for constructing a rental building within 1/2 mile of Metro and providing an additional 20 percent increase in the number of MPDU units.

3. Require MPDU construction in large lot zones only where sewer is recommended by the Master Plan, to ensure that residency in all areas of the County is open to those of moderate income.

4. Provision of additional MPDUs on site or off-site may be substituted for some or all of the amenity space requirements, such as public open space requirements in optional method development projects. This provision can also be used by a commercial development.

Administration

1. Create a housing advocate at Park & Planning Commission, to ensure that affordable housing ramifications are considered in Commission decisions.

2. Commit an annual allocation of $250,000 for low-interest loans for owners to fix up older MPDUs.

3. Establish a County low-interest closing cost assistance program with an initial start up contribution of $50,000 to replace loss of Fannie Mae program.